



1 BEFORE THE ARIZONA CORPORAT.

2 IN THE MATTER OF THE) DOCKET NO.
3 REORGANIZATION OF UNISOURCE) E-04230A-03-0933
4 ENERGY CORPORATION.) SPECIAL OPEN MEETING
5 PUBLIC COMMENTS
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8 At: Nogales, Arizona

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14 REPORTER'S TRANSCRIPT OF PROCEEDINGS
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Suite Three

2627 North Third Street

21 Phoenix, Arizona 85004-1126

22 BY: DAWNA J. BOSWELL, RPR
23 Certified Court Reporter
Certificate No. 50326

24 Prepared for:

25 ACC

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, at the Nogales City
4 Hall, Council Chambers, 777 North Grand Avenue, Nogales,
5 Arizona, commencing at 5:02 p.m., on the 16th day of
6 June, 2004.

7

8 BEFORE: JEFF HATCH-MILLER, Commissioner
KRISTIN K. MAYES, Commissioner

9

10

APPEARANCES:

11

12 For Residential Utility Consumer Office:

13 Mr. Daniel Pozefsky
1110 West Washington, Suite 220
14 Phoenix, Arizona 85007

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DAWNA J. BOSWELL, RPR
Certified Court Reporter
Certificate No. 50326

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1 COM. HATCH-MILLER: We'll call this meeting
2 to order.

3 This is a Special Open Meeting of the
4 Arizona Corporation Commission to discuss the UniSource
5 Energy Corporation in the matter of the reorganization,
6 and again, I want to remind all those who wish to speak,
7 please fill out a form so that we will know who you are.

8 We have a court transcriber with us tonight,
9 and so I will ask everyone to speak one at a time
10 because my understanding from her is that she's not
11 capable of a two-person conversation transcription. So,
12 and she probably won't ask us to slow down, but from
13 time to time, she may ask us to stop for a minute while
14 she catches up. Again, the point of having a
15 transcriber is to make sure there is a clear and
16 complete record of tonight's discussions.

17 The purpose of tonight's discussion really
18 is to provide an opportunity for those of you here in
19 Santa Cruz County and the area to make your statements
20 clear to us and known and bring up points of importance
21 to us in our considerations about this reorganization
22 plan.

23 With me tonight is Commissioner Kris Mayes,
24 and there won't be any formality as far as chairmanship.
25 We will in effect co-chair this meeting, and I think

1 that since there is only two of us, we'll just make sure
2 that all of you have a chance to make sure you have a
3 chance to say what you need to say.

4 I've been asked by Mr. Magruder to open the
5 discussion to other items this evening, and I will
6 remind you that the state Open Meeting Law requires us
7 to stick to the subject of the Open Meeting. But we
8 will gavel that Open Meeting to a close when all of you
9 have had a chance to say what you want to say, and
10 Commissioner Mayes and I will remain here and listen to
11 any other points that you would like to present. We
12 don't get down to Santa Cruz County that often, so we
13 would love to have a chance to discuss any items that
14 you feel ought to be brought to our attention. Does
15 that seem reasonable to everyone? Okay.

16 Do you have an opening comment?

17 COM. MAYES: Sure, Commissioner
18 Hatch-Miller.

19 It's good to be here with you tonight and,
20 you know, this is I think the fourth public comment
21 session we've had on the proposed UniSource-KKR merger.
22 We had meetings in Kingman, Lake Havasu, and Prescott,
23 and we're going to have another one in Tucson tomorrow
24 night. And I can tell you that already, we have learned
25 a great deal about this case from the people that we've

1 come across, and every time we do one of these public
2 comment sessions, we learn something new. And I know
3 that Commissioner Hatch-Miller shares my view that the
4 information we take from this meeting and all those
5 meetings will be important to us as we ask questions of
6 the parties, the companies, our Staff, RUCO during the
7 evidentiary hearing and after. And so you know, it's my
8 intention to ask a lot of very tough questions about
9 this proposed merger, and in my mind, the bottom line
10 has got to be whether this proposed sale is in the best
11 interest of ratepayers. That's the bottom line.

12 And some of the questions that I've already
13 asked, I wrote a letter to the docket to my fellow
14 Commissioners recently on this matter, and some of the
15 questions that I wrote in that letter and that I will be
16 asking as this process goes along are, one, while the
17 company has vowed, the proposed buyers have vowed that
18 there will be no changes in upper level management, I
19 would like to know whether there are any assurances that
20 there won't be large-scale outsourcing of jobs. I'd
21 also like to know whether the new company would propose
22 to denigrate or degrade health benefits for workers,
23 whether the company's current charitable giving will
24 remain intact or even increase after any proposed sale,
25 whether the infrastructure of this county and other

1 counties where UniSource has a presence will be advanced
2 and strengthened, and whether there would be any plans
3 for a future rate increase after the current rate freeze
4 expires in 2008.

5 One of the real concerns that we heard up in
6 northern Arizona, especially in those areas that have
7 been hard hit by the large natural gas price increases
8 up there, and I know that's been an issue down here as
9 well, is what's going to, what would happen if this
10 Commission allowed that sale to go through in 2008, is
11 there a plan or a desire by the current, by the proposed
12 buyers to increase those rates. So those are some of
13 the questions that we'll be asking. We also want to
14 know whether or not any new entity that would be created
15 by the sale would be accountable to this Commission in
16 the same way that TEP and UniSource Natural Gas are
17 accountable to us.

18 So again, I know that both Commissioner
19 Hatch-Miller and I and Commissioners Mundell and Gleason
20 and Spitzer have every intention of treating this case
21 with the seriousness it deserves, and we're going to,
22 our efforts will only be bolstered by what you have to
23 say to us today. So again, it's great to be here, and
24 I'm looking forward to hearing from you.

25 COM. HATCH-MILLER: And I appreciate as well

1 you coming and joining us tonight. It is a very serious
2 issue for us, and it was quite surprising to me when
3 UniSource approached us and said that they wanted to
4 reorganize in this way. We had only recently had
5 UniSource stepping forward and coming down to Nogales
6 and going to other parts of the state, and I envisioned
7 a hometown company, an Arizona company, and that they
8 would come in and really improve service and the like.
9 And then when I heard that there was this
10 reorganization, it really made me step back and think
11 very hard about it, and quite frankly, I'm still
12 thinking very hard about it. And clearly, I haven't
13 come to a conclusion, I'm pretty sure you haven't
14 either, and so we're asking some really difficult
15 questions.

16 We're trying, as Commissioner Mayes said,
17 we're trying to protect ratepayers. We're trying to
18 protect the citizens of the state in general to make
19 sure that the utilities that are here are meeting
20 Arizona needs. And I am cautious about what ownership
21 by those outside of the state might mean to us. And so
22 we're going to make sure that whatever is done -- and I
23 want to assure you the decision hasn't been made, in a
24 lot of ways. We're not the only governmental entity
25 that is looking at this sale. The Securities and

1 Exchange Commission is looking at this sale. There's
2 other people, FERC is looking at this sale. So we
3 haven't come to the end on it.

4 It's a very new phenomenon. This type of
5 ownership isn't rampant across the United States. It's
6 fairly unique. So we're trailblazers, if you will,
7 also, to some extent. And that doesn't mean it's an
8 automatic no, but it certainly doesn't mean it's an
9 automatic yes either. And I want to echo what
10 Commissioner Mayes said. This has to be in the best
11 interest of Arizona ratepayers or why do it.

12 So with that in mind, we welcome your input,
13 and do you want to start and start calling off some
14 names?

15 COM. MAYES: Sure. Bob Damon, if you want
16 to come forward.

17 COM. HATCH-MILLER: Mr. Supervisor, thank
18 you for coming. We have to use the microphone, because
19 I believe we are also tape recording.

20 MR. DAMON: Commissioners, welcome to
21 Nogales. I understand the temperature is about 15
22 degrees different than in Phoenix.

23 I wrote a letter last month in support of
24 this merger, and my position hasn't changed. I've been,
25 my trade is electrical contractor, so I deal with the

1 big power company quite often when it was Citizens
2 Utility and now UniSource, and I have noticed a
3 difference of the customer service that they give,
4 reliability of electricity, and the equipment that they
5 spend money on to do better for here in Santa Cruz
6 County. They're very community involved with our
7 projects here, especially with the youth activities.
8 I'm glad they're here, and to tell you the truth, we
9 just, Santa Cruz County just built a park in Rio Rico, a
10 well-needed park, and UniSource has offered to do some
11 of the lighting, and we appreciate that very much. And
12 I don't see a problem with them merging, and I support
13 it 100 percent.

14 COM. HATCH-MILLER: Do you mind if I start?

15 COM. MAYES: Certainly.

16 COM. HATCH-MILLER: Would you want to make
17 sure as we do that that kind of community involvement
18 would continue under the reorganization --

19 MR. DAMON: Right.

20 COM. HATCH-MILLER: -- after the
21 reorganization?

22 MR. DAMON: Yes, and I have a lot of
23 confidence they will be.

24 COM. HATCH-MILLER: That is part of what we
25 are trying to look at and insure. So it is important to

1 you that we see the same community involvement after any
2 kind of reorganization takes place?

3 MR. DAMON: I only speak for my district
4 which is one-third of the county, and I am pretty sure I
5 have their support of what I am saying here.

6 COM. MAYES: Mr. Supervisor, one of the
7 issues that we will be addressing in the course of the
8 evidentiary hearing and beyond is whether or not the
9 company intends to keep up with infrastructure, building
10 of infrastructure. What kind of growth is this county
11 experiencing and do you anticipate greater needs for
12 infrastructure?

13 MR. DAMON: The growth is going north
14 towards Rio Rico, and we have a lot of growth to be,
15 that's only just starting, and then it goes to the
16 border community. The economy, we depend a lot on that
17 economy, the trucking, but employment is one of the big
18 factors, and growth is going to continue north, and I
19 believe here in the future it's going to work out pretty
20 well.

21 COM. HATCH-MILLER: Thank you,
22 Mr. Supervisor. Glad to have you here.

23 MR. DAMON: Thank you.

24 COM. HATCH-MILLER: Supervisor Ruiz.

25 MR. RUIZ: Good evening, Commissioners Mayes

1 and Hatch-Miller. Welcome to Santa Cruz County. And in
2 the future, if you need to hold other hearings, we'd
3 like to invite and have you make use of our Board of
4 Supervisors room as well. I know the city is always
5 very gracious in allowing the City Council chamber to be
6 used for these types of hearings.

7 I as my colleague rise in support of the
8 acquisition merger. And I also want to thank you for
9 the comments, your opening comments that you made
10 because certainly those are things that we are going to
11 look at as well. But I think as the merger is
12 proceeding, we've met with members of UniSource, and on
13 several occasions, and I think that being that they
14 provide service for this area of the state that they
15 have come in with the idea of being the good neighbor,
16 of being the company that's there to help the needs of
17 all the community members.

18 Certainly it's great that we now have phone
19 numbers of some of the top level people. When we need
20 to get things done, all we have to do is call them and
21 they get done. I think their commitment and even in
22 their letter of intent says they will continue to
23 provide and partner with the community organizations.
24 They've supported our education infrastructure down
25 here, and to me, that's a sign of good faith that

1 they're willing to go ahead and continue to make that
2 investment in the community.

3 So I'm glad that certainly that your minds
4 are not made up. You know, I hope our testimony will
5 certainly help a little bit, and if more information or
6 more testimony is needed on my part, I can't speak for
7 my colleague, but I can speak for myself, I would
8 certainly be willing to meet with you at your
9 convenience and go and discuss some of the concerns that
10 you have. But at the time, I feel confident that if the
11 merger is allowed to go through that I feel the
12 commitment is there from UniSource, not just for
13 partnering with the community but also continuing to
14 meet the infrastructure needs of a growing community.

15 COM. MAYES: Manny, what, have you seen a
16 difference in the level of community commitment between
17 Citizens, what used to be Citizens then UniSource took
18 it over as Commissioner Hatch-Miller mentioned in his
19 comments? Did you see any difference there when that
20 takeover occurred?

21 MR. RUIZ: I believe -- and this is what I
22 have seen. Citizens Utility, Ernesto Ojeda was the
23 manager down here for a long time. He was an
24 outstanding person. I believe he's still working with
25 UniSource, and he's taken a different tact within the

1 company. I believe he moved to Tucson. But I think
2 what I've seen is there has been a seamless transition
3 that as Citizens was involved, so has the UniSource
4 employees.

5 They continue to be involved with Christmas
6 in April. When we've had needs to change a street light
7 that, and we call in orders, but there are certain times
8 that there has been lights in areas where they really
9 need to have light, I mean, I've called Larry Lucero,
10 and I give him the information, and the next morning I
11 get a thank you call from the residents saying it has
12 been taken care of. So the response is there, and I
13 believe the willingness to continue to help with
14 charitable organizations to this community is there. So
15 I really see that they're just enhancing what's, what
16 was already started in the community.

17 COM. MAYES: Any -- one of the questions I
18 am going to ask about this company and this case, and
19 it's something we dealt with earlier this morning on a
20 totally separate case is the degree to which, you sort
21 of touched on it just now, but the degree to which when
22 a customer, and not a supervisor, I mean, you're sort
23 of -- clearly they're going to return your phone calls,
24 but that's good. But when an average customer calls in,
25 do you have any sense of whether or not they're getting,

1 you know, a quality response from the company, and also
2 whether or not the call, where those calls are going?
3 Because that was an issue in a case we had earlier where
4 the call center was in Alton, Illinois, and, you know,
5 so do you know where customers' calls go from Nogales?

6 MR. RUIZ: As far as I know, they still have
7 a local number. You can call those numbers. I know I
8 have had occasions to call as a consumer, and I don't
9 identify myself as a supervisor when there's been some
10 problems, and within an hour, most of the times I've
11 gotten a response back from someone. I've, I don't know
12 of any other customers that perhaps have talked to them,
13 but I know that when they've asked me if I know someone,
14 I usually send them up there. I know Russ who worked
15 here for a little bit then took off and is now back
16 working in the community or some of the other people
17 that I know, Ricky Robles, I usually have the people
18 that talk to me, I have them talk to them directly. I
19 haven't heard any complaints back that their questions
20 or that their needs haven't been met, no.

21 COM. MAYES: And one of the things we would
22 want to insure is that any proposed merger wouldn't
23 damage that, damage that ability of the customer to get
24 ahold of somebody locally. And we've seen that in other
25 companies that were taken over by conglomerates that

1 were either national or multinational in nature, and
2 suddenly you have calls going to some call center in
3 Alton, Illinois, or, you know, wherever. So we would
4 want to make sure that there was a real commitment to
5 that.

6 MR. RUIZ: And I agree with you,
7 Commissioner. And I think as I've mentioned before,
8 having sat down and met with some of the upper echelon
9 of the corporation, you know, I felt easy talking with
10 them. They gave us their phone numbers, their e-mails,
11 that they're going to be accessible. Certainly I share
12 some of your concerns as well because I think it's
13 important that there are local numbers here, especially
14 as a growing community that businesses or anyone that's
15 interested in coming in that needs service or has a
16 problem can call a local number and have someone come
17 and take care of the problem. And as I've mentioned to
18 them, I feel assured from meeting with them that things
19 would pretty much stay status quo, that there would
20 still be the local manager, there would still be
21 opportunities to be able to talk to the people up in the
22 Tucson office as well. And if I didn't feel comfortable
23 with it, let me tell you, I would not be up here today
24 talking on behalf of the merger.

25 COM. HATCH-MILLER: Supervisor Ruiz, in your

1 comments, it suggested that you had been contemplating
2 the implications of this reorganization. Is that
3 something that was being done formally within the Board
4 of Supervisors or within the community or how did that
5 proceed?

6 MR. RUIZ: I think we have been fortunate
7 that we have a gentleman that comes to our meetings
8 about once a week and gives us an update of things that
9 are happening, but we've also had the opportunity to,
10 again, call certain people in Tucson and go and sit down
11 and meet with them and say, "What about this?" And I
12 think that as we've met with them, they've assured us
13 along the way, "Look, we want to do what's right for the
14 community."

15 Certainly what this merger will bring is
16 some capital to certainly help improve the
17 infrastructure in this community. I know that the City
18 of Nogales several years ago sued Citizens Utility
19 because of the poor service. I think there has been a
20 remarkable improvement in service. I don't think in the
21 last year I can remember an instance where we had a
22 power outage, and so consequently, I think that most of
23 our concerns and some of our questions have certainly
24 been addressed. We don't know all of the things that
25 are occurring, but certainly what's been shared with us

1 seems positive. And they, and they really give us the
2 information freely. You can tell they're not trying to
3 hide anything.

4 COM. HATCH-MILLER: Well, and I think it's
5 important that we realize that this review is being
6 undertaken at all levels from Washington, D.C. through
7 certainly the Commission and down into the county and
8 the city levels, and we're all looking at it because it
9 is a company that has a lot to do with the quality of
10 life that we're able to enjoy. It has a lot to do with
11 the economic development that we can engage in in the
12 community. It's an important company, and the service
13 they provide is critical to us. So I'm glad to hear
14 that you have been calling and asking and digging into
15 it.

16 MR. RUIZ: In fact, I've been meeting with
17 them because as you know, our community is a graying
18 community. And there is a program to help with the
19 electric, but now I believe I was assured that they are
20 going to start a program to help the elderly with the
21 natural gas. It's important because there's a lot of,
22 as I say, graying Santa Cruzans that only live on a
23 Social Security check. That is their only source of
24 income. And when I brought that to their attention,
25 they said, "Well, we'll work a program out to make sure

1 we are able to help the elderly that have a hard time,
2 especially in the winter." And I know, you know, my
3 mother-in-law, God rest her soul, when it would get cold
4 and that heater was full blast and we would try to turn
5 it off and she would try to turn it on to try to
6 conserve.

7 But I think commitments like that are
8 important to me because certainly the area I represent,
9 there are a lot of residents that are over 65 years of age
10 on fixed incomes. And it's important, and I know that
11 when I talked to one of the staffers up there, I went to
12 meet with her on a separate issue, and I was talking to
13 her, right away she gave me forms. She says, "Have them
14 fill them out and send them to me." And I did, I took
15 them, we helped the residents fill them in, sent them
16 in, and the next month they were given a discount, and
17 that was good to see and our residents were happy.

18 COM. HATCH-MILLER: I appreciate,
19 Supervisor, that you share the idea that we have to
20 represent everybody, but some people we actually provide
21 a level of protection as well. So I appreciate you
22 being here. I appreciate your comments.

23 MR. RUIZ: Thank you very much,
24 Commissioners. And like I said, if the need arises,
25 then I would be willing to come back and come before you

1 again. Thank you very much.

2 COM. HATCH-MILLER: Thank you, Supervisor,
3 very much.

4 COM. MAYES: Cecelia Brown, Community Action
5 Program.

6 MS. BROWN: Good evening, Commissioners.
7 I'm kind of nervous, so --

8 COM. HATCH-MILLER: So are we.

9 MS. BROWN: Okay. What I wanted to say is I
10 work for the Community Action Program here in
11 southeastern Arizona. What we do is provide emergency
12 services, utility assistance, rental assistance,
13 et cetera, home weatherization programs.

14 I'm here in support of UniSource. They've
15 provided us with \$17,000 for home repair of which we are
16 allowed to use 1,600 per house. Without that money,
17 Department of Commerce and Department of Energy just
18 continue to keep cutting our budget, so without that
19 money there would be a lot of things we couldn't do for
20 the people in Santa Cruz County.

21 UniSource Gas has just begun a new program
22 to help us called Warm Spirits, and that money is where
23 the customer donates a percentage of what they pay to
24 pay, that will go to our programs to help utility
25 assistance bills.

1 In your question, Commissioner Mayes, to
2 Supervisor Ruiz about the people and the, what is the
3 word I want to use -- one of the things we do is
4 advocacy, and all of our clients are low income. And
5 for us to say your appointment is X day and for them to
6 turn around and say, "But my shutoff day is today," you
7 know, we can call UniSource and tell them, "Their
8 appointment is X day. We can't guarantee the
9 assistance, but if we ask you to please hold the shutoff
10 until 5:00 that day," they have been more than gracious.

11 Elderly people who tend to fear the
12 automated phone system, you know, they'll come to our
13 office, and UniSource will speak to us freely with them
14 being right there. We also distribute their
15 applications for the discount programs which we
16 automatically give to our clients when they come in for
17 any type of service. If they're already on it, great.
18 If not, then we tell them it really wouldn't hurt you at
19 all just to give it a try.

20 All I can say is they have been a big boost
21 to us who are constantly looking at cuts in funding. It
22 scares me to think what we would do without their
23 support, and as far as their transition went, it was
24 fantastic. The people from Tucson were here in our
25 office all the time asking us if we had any questions.

1 Initially, the hometown way of doing business of just
2 calling Citizens and saying, you know, "X amount or X
3 lady is going to be shut off, could you help us," we
4 thought we were going to lose that. But it was all a
5 matter of communication, and they really helped us out
6 and they brought back that small town feeling again, and
7 that small town communication that we always had.

8 COM. MAYES: Cecelia, during this winter, a
9 lot of the communities in northern Arizona experienced
10 high, very, very high natural gas rates, and I think
11 Santa Cruz had the same, was under the same system and
12 takes the same natural gas. And in those communities,
13 including Prescott where I was born and raised and where
14 Commissioner Hatch-Miller I think spent 17 years of his
15 life, they really had a tough time. And there was a
16 dramatic spike, I think, in the number of people who
17 sought assistance like you offer. Did you see a
18 similar --

19 MS. BROWN: Yes, we saw a great big
20 increase. We see on an average 30 families a month.
21 During that time, it was up to 60. And you were also
22 seeing much bigger bills. Because of the bigger bills,
23 we receive LIHEAP funding. Because of the bigger bills,
24 we needed to incorporate different funding sources. And
25 again, UniSource allowed me the time to let me beg from

1 here and borrow from there to see if we can cover this
2 person's bill because the truth is, if we gave the
3 maximum LIHEAP benefit and the bill was bigger, we
4 weren't preventing it. And if there was a huge bill,
5 there were some bills like \$600 or more, they would
6 allow the customer to come in for their payment with us
7 and make a payment arrangement for the balance. They
8 were really doable during that time.

9 COM. MAYES: Did you get the sense from some
10 of those people that they were caught off guard by some
11 of those increases?

12 MS. BROWN: Yes, they were. We also tended
13 to inform them of how this had originally been planned.
14 It just never happened under Citizens, and we tried to
15 let them know that. Like I said, we try and teach them
16 also the budgeting and how in the future to avoid these
17 things, the different programs they can get on at
18 UniSource to prevent this from happening again.

19 COM. MAYES: Yes, and let me just let you
20 know that one of the things that the Commission recently
21 ordered as a response to what happened this winter which
22 we found unacceptable was that the company is now going
23 to be sending out the summer inserts in the bills
24 describing budget billing, describing Warm Spirits, and,
25 I think Warm Spirits, and weatherization and the other

1 programs so that the people can be ready in advance of
2 next winter. One of the problems we had in addition to
3 the fact people were getting \$600 bills in the mail was
4 they didn't know they were going to be getting \$600
5 bills in the mail. And, you know, at the very least, a
6 utility has got to give customers the chance to plan for
7 higher bills. Certainly, we need to do everything we
8 can to make sure those bills aren't that high.

9 MS. BROWN: They have allowed us in the past
10 to put plugs on their bill, for example, for the home
11 weatherization program. They've allowed us to put a
12 plug for if they needed any assistance in paying their
13 bill, a contact number of ours. Like I said, you know,
14 I really can't say anything bad about them. Their
15 transition has been really smooth and they have been
16 there for us, you know, when it got scary. And again,
17 you know, all I can say is the best part is when you
18 call them and tell them, "Could you hold off this
19 shutoff," they do. They do.

20 COM. HATCH-MILLER: Supervisor Brown, you
21 mentioned the Warm Spirits fund, and I was fortunate to
22 be able -- well, I approached the company and asked them
23 if they'd put additional money into that out of the
24 stock owner, from the stock owners, the stockholders
25 instead of the customers, and they did put some money

1 in. Did you get some of that money?

2 MS. BROWN: Yes, we got the initial money of
3 \$2,000 for gas customers here in Nogales. I believe the
4 Mohave area got a bigger cut, but only I am assuming
5 because they are a bigger area. We got \$2,000 here.

6 COM. HATCH-MILLER: That doesn't seem like
7 very much.

8 MS. BROWN: Oh, it is.

9 COM. HATCH-MILLER: I want to make sure we
10 continue to work together on that, and that we find ways
11 in the state to address those needs. The reality is
12 that at the wellhead in the Permian Basin of Texas, the
13 cost of natural gas is going to continue to be high
14 until some future date, and that's certainly not
15 something that we can see even in our crystal balls
16 which aren't very clear lately. And so we're going to
17 have to be prepared to provide assistance in the
18 upcoming heating season and the upcoming cooling season
19 as well. So stay in touch with my office and the
20 Commission and let's keep working on that.

21 MS. BROWN: Thank you for the opportunity.

22 COM. HATCH-MILLER: Appreciate that. Thank
23 you, Supervisor Brown.

24 Now we have Mr. Kurtz.

25 MR. KURTZ: My name is Bill Kurtz. I am a

1 resident of Santa Cruz County. Commissioner Mayes,
2 Commissioner Hatch-Miller --

3 COM. HATCH-MILLER: Good to have you here,
4 Mr. Kurtz.

5 MR. KURTZ: Pardon?

6 COM. HATCH-MILLER: Good to have you here,
7 sir.

8 MR. KURTZ: Thank you.

9 What we've just heard is really excellent,
10 and long may it continue. I believe there is a much
11 greater chance of it continuing if the merger does not
12 occur.

13 I've worked in industry in some cases very
14 happily until there was either a major management change
15 within that company or the company disappeared by being
16 swallowed up by somebody else, and I don't think you can
17 predict what will happen. And I can tell you on TEP's,
18 some of their sworn statements in Line Siting committees
19 have been totally disregarded. They have not followed
20 through on those. So I, I can't help but feel that
21 we're looking a little bit at a lot of polishing the
22 apple right now to get everybody on board and to support
23 this. And that's okay if only shareholders were
24 involved, but the bottom line here, this company is not
25 like companies I worked for, and their real

1 responsibility is to the ratepayers. And the way the
2 buyout is structured now, it would seem to me there's a
3 lot of golden parachutes there, and were I to have one
4 of them, I would be very strongly supporting this
5 merger.

6 If in fact, and I don't know the answer to
7 this, but if in fact the merger which then makes it a
8 private company greatly reduces the oversight that the
9 ACC has, I think it is a very, very bad merger. One of
10 the supervisors said there would be more capital coming
11 in. I don't know. From what I've seen of it, the debt
12 is going to be larger. So, you know, I don't know. But
13 I can say in my experience, in most cases when upper
14 management is so strongly in favor of something, it's
15 usually bad for somebody, and in this case, that would
16 be the ratepayer.

17 That's all I have to say.

18 COM. MAYES: Mr. Kurtz, thank you for coming
19 and testifying. And you touched, you did touch on one
20 of the hot buttons of this case, which is the degree to
21 which the deal is a leveraged buyout and the degree to
22 which the amount of debt that is involved in it. And
23 there is a lot of debt, and the question is does that
24 debt suck up all the cash from the company that could
25 otherwise be used to invest in infrastructure and

1 community programs like the ones we just talked about
2 and other things. So clearly, that's one of the issues
3 that we're looking at and would be concerned about is,
4 you know, is it an appropriate, is it appropriate to
5 allow a regulated entity to be purchased through a
6 leveraged, you know, a leveraged buyout. So we'll be
7 looking very closely at that.

8 MR. KURTZ: Good.

9 COM. MAYES: And it's been thoroughly
10 briefed in these materials. Again, I appreciate you
11 coming and talking.

12 One question for you, do you agree with the
13 statements that have been made about UniSource's
14 customer service, about --

15 MR. KURTZ: Being honest with you, I'm one
16 of the lucky ones. I'm on Trico.

17 COM. MAYES: You're not on --

18 MR. KURTZ: However, from what I -- and I'm
19 very thankful I am. From what I have heard, the service
20 since UniSource has taken over Citizens has improved,
21 yes.

22 COM. MAYES: Okay. I think Trico buys some
23 of its power from UniSource, doesn't it?

24 A MALE VOICE: I don't know.

25 COM. MAYES: Not at all? Okay.

1 COM. HATCH-MILLER: Hold on there,
2 Mr. Kurtz. We're kind of sharing it. Usually it's kind
3 of more of a formal, "You're next, you're next," but
4 there's two of us. So it's pretty easy for us to just
5 pay attention and when one is finished the other can
6 ask.

7 You certainly are bringing years of
8 experience which is great. You were suggesting that in
9 a company with some kind of a buyout where there's
10 golden parachutes that people exit, people take
11 advantage of those parachutes. Do you want to talk a
12 little bit more about that? Do you have some other
13 thoughts or additional details?

14 MR. KURTZ: Well, I'm certainly not an
15 expert. I read the Wall Street Journal, and I have
16 seen, I was in the mining business, and I've seen
17 companies that, basically what we see here, they
18 structured their high executives with very nice, I can't
19 get the right word now, a nice --

20 COM. HATCH-MILLER: Inducement?

21 MR. KURTZ: -- a nice settlement in the
22 fact, if in fact the company were to be taken over by
23 somebody else. And we've seen that quite often.

24 COM. HATCH-MILLER: Is that quite typical in
25 buyout situations?

1 MR. KURTZ: I would say more so now than it
2 was 30 years ago, yes.

3 COM. HATCH-MILLER: And you expressed
4 concern about the financial strength of the company, and
5 I took it from your comments that you have had a chance
6 to look at some of the figures involved.

7 MR. KURTZ: I've seen some of them by
8 reading the Arizona Daily Star and from hearing from
9 other people. I've not read that thick document that
10 you have there, if that's what that is. But my
11 understanding from what I've heard, and this is
12 certainly nothing that I have seen in print, that the
13 debt under the combination is going to be at least
14 60 million or \$66 million more added debt. And that's
15 all I know. I've heard that.

16 And I guess the other thing that would
17 disturb me in this particular leveraged buyout is the
18 principal party that is doing it, KKR.

19 COM. HATCH-MILLER: Do you want to talk
20 about that a little bit?

21 MR. KURTZ: They're kind of known, I mean,
22 this is their business. This is what they do. And they
23 do it because they make money, and the question here is
24 is the ratepayer the one that's going to suffer while
25 KKR makes money. And it doesn't matter to me how much

1 UniSource and their people say we're going to continue
2 to save. They're not going to be in control.

3 COM. HATCH-MILLER: Well, you mentioned --
4 I'm sorry, I cut you off.

5 MR. KURTZ: That's okay.

6 COM. HATCH-MILLER: You mentioned you hadn't
7 had a chance to read these documents. I am going to ask
8 Staff to make sure a copy of the core documents, not
9 everything, we have like five drawers full, but the core
10 documents --

11 MR. KURTZ: I'm too old to read that much.

12 COM. HATCH-MILLER -- are placed in the local
13 library for citizens to look at if they're interested,
14 like to look at the details, because I am sure there are
15 people like Mr. Kurtz who certainly have the capability,
16 and if they have the time, they can look at them.

17 MR. KURTZ: That would be fine. Would that
18 be here in Nogales?

19 COM. HATCH-MILLER: Yes, in your local
20 library here in Nogales.

21 COM. MAYES: We are also -- I hesitate to
22 say this because I don't know that it's a sure thing
23 yet, but we are also hopeful that we're going to have a
24 1-800 line established for the hearings tomorrow, I mean
25 next week.

1 COM. HATCH-MILLER: Are you offering this?

2 COM. MAYES: Well, Brian McNeil told me they
3 are really trying. So check with us either through
4 e-mail or by calling, but we are really hoping we can
5 get the 1-800 number up and running for next week for
6 the evidentiary hearings because there is a lot of
7 interest in it down here and northern Arizona and people
8 can't make it down to Tucson or up to Tucson for those
9 hearings, so hopefully we can make that accessible.

10 COM. HATCH-MILLER: Yes. It would be nice
11 for you to have access to the documents and have access
12 to a clear line. Our current system is fairly
13 antiquated and it's just hard to follow the conversation
14 well, and so we're improving it so that people who can't
15 travel for whatever reason to the hearing can actually
16 at least listen in. And we certainly thank you,
17 Mr. Kurtz, for coming forward and joining us tonight.

18 MR. KURTZ: Thank you.

19 COM. HATCH-MILLER: We have plenty of blank
20 speaker slips out there. We're not shy about calling
21 you up if you would like to make a comment.

22 I would like our representative Mr. Pozefsky
23 from RUCO to stand up, introduce yourself, tell them a
24 little bit about RUCO. Thank you.

25 MR. POZEFSKY: I'm Dan Pozefsky.

1 THE COURT REPORTER: Excuse me, I can't hear
2 you with your back to me.

3 MR. POZEFSKY: My name is Dan Pozefsky, and
4 I am an attorney at the Residential Utility Consumers
5 Office. We are an office separate from the Commission,
6 not tied into the Commission at all. We're separate
7 from the Staff. We were created by the legislature to
8 represent ratepayers, so we have intervened in this
9 proceeding and we have filed testimony, and I would be
10 happy to speak to anybody if they would like to about
11 our testimony. I will say that we do have a website,
12 and our testimony that's been filed I believe is on the
13 website, if anyone would care to read it.

14 COM. HATCH-MILLER: And RUCO serves as kind
15 of a check and balance to us. They actually conduct
16 their own investigations, their own analysis of cases of
17 importance and are invaluable, I must say. We work
18 together quite well. But again, a governor's appointee
19 is in charge of it, and they do their own separate
20 analysis which helps us to make sure that there's more
21 people looking at this. As I said to Mr. Kurtz, you
22 know, it's important that we are all participating in
23 the analysis of this. So thank you very much for being
24 here.

25 MR. POZEFSKY: Thank you.

1 COM. HATCH-MILLER: And we do have a Staff
2 member here. Come on back, Richard. Come on in. I
3 want people here to know who you are, please.

4 This is your local Corporation Commissioner
5 kind of person.

6 MR. MARTINEZ: My name is Richard Martinez,
7 and I work out of the Tucson, Arizona office. I am the
8 one that handles complaints. So anybody with
9 complaints, give me a call.

10 One of my primary jobs actually is with all
11 the public utility companies in the State of Arizona,
12 not just gas and electric. We also handle water and
13 telephones. So in my position, basically, most of the
14 concerns expressed by the people here and the people
15 that weren't here, I actually have firsthand experience
16 or knowledge regarding that. And so all, everything
17 that was said here tonight, you know, I'm kind of
18 listening to mostly one side, but I also hear the other
19 side. So, but it's good that the community
20 participates. That is really, really good. I wish it
21 was more people here, but it's a plus. And again, my
22 name is Richard Martinez. If anybody ever wants to call
23 me, I am in the Tucson, Arizona office. Feel free to do
24 that.

25 COM. HATCH-MILLER: We have a full service

1 office in Tucson for those of you down in this part of
2 the state. We're very proud of Richard because Richard
3 is not only a member of the Corporation Commission
4 Staff, but also a major athlete, a person who has run
5 the Boston Marathon for one thing.

6 MR. MARTINEZ: Thank you.

7 COM. HATCH-MILLER: A man we all kind of bow
8 down to when it comes to that. Anybody that can make it
9 through that --

10 MR. MARTINEZ: Thank you, Commissioner. I
11 appreciate it.

12 COM. HATCH-MILLER: We're very proud of you,
13 Richard. Thank you.

14 Anyone else? There's a slip. Richard, do
15 you want to bring it up? Richard will bring it to me.
16 Why don't you go ahead and come up now.

17 Ms. Collier.

18 MS. COLLIER: Yes, my name is Liz Collier.
19 I'm with United Way of Santa Cruz County. By mistake, I
20 filled out the wrong form, so I apologize.

21 I'm here in support as well. Like several
22 of the other agencies, Cecelia Brown who is a United Way
23 partner, UniSource has been very supportive of the
24 community, and what has happened down here is there has
25 been a greater emphasis on long-term support in the

1 community. And from my perspective, there's a couple of
2 things that make a big difference.

3 One, we want them to hire and employ local
4 people because jobs are scarce down here, and it's very
5 important. Then the second thing, of course, is the
6 community support. From what I understand, there's like
7 a five-year grace period before any major changes would
8 take, if this buyout goes through, it's a five-year
9 guarantee of no changes. I don't know how many people
10 could have that type of guarantee. The biggest fear
11 would be that UniSource would be bought out by some
12 large power company from the east coast, and then all of
13 a sudden, we have no local representation.

14 So I'm in support of the buyout because of
15 what has happened down here when they took over
16 Citizens. There has been such an improvement and such
17 more esprit de corp for the community, and I think this
18 is going to be good. From what I understand, they say
19 it's, there's not going to be any changes for five
20 years, and I don't know if any of us have five-year
21 guarantees. I know I don't. I could be out the door
22 tomorrow.

23 COM. HATCH-MILLER: Right. And not at all
24 to engage in an argument or debate, I think both of us
25 need to look very closely at what the time frame really

1 is and what the guarantees really are. That's part of
2 our charge, and I appreciate that the United Way along
3 with supervisors and people in government are looking at
4 it and providing input. It's great you're here.

5 MS. COLLIER: Well, UniSource has become a
6 community partner, okay? We want to keep them. That's
7 our goal, so --

8 COM. MAYES: Yes, and I -- Liz, thanks for
9 coming, and I agree with you that if UniSource has been
10 an improvement over Citizens that you would want to
11 continue that on. As to your point about the five-year
12 guarantee, I think that's overstating it a little. They
13 have guaranteed that top management will stay, and
14 that's why I asked the question, are you thinking of
15 outsourcing jobs. I mean, those, those are the local
16 jobs we would not want to see shipped out of here.

17 MS. COLLIER: And we don't either,
18 absolutely.

19 COM. MAYES: So what Commissioner
20 Hatch-Miller was saying I think is we need a little,
21 some more firm guarantees about what they actually plan
22 beyond just Jim Pignatelli, and I appreciate that.

23 COM. HATCH-MILLER: He is a very nice man.

24 COM. MAYES: Yes, indeed. But we want to
25 know more.

1 MS. COLLIER: Well, good.

2 COM. HATCH-MILLER: Thank you so much for
3 being here tonight.

4 Other slips? Another one, okay. Whoever
5 filled it out, why don't you come forward, and we'll
6 make it formal and call you.

7 Ellen Kurtz. Thank you, Ms. Kurtz.
8 Pleasure to have you here.

9 MS. KURTZ: Thank you for making the trip
10 down here, even though it is to the cooler country.

11 COM. HATCH-MILLER: It is much better.

12 MS. COLLIER: I, too, have my doubts about
13 this merger. Of course, with my husband, we are Trico
14 Electric users and have been very, very happy with that.
15 And having been in this area for 29 years and having
16 heard about all of the problems that Citizens caused for
17 the people of Santa Cruz County and Nogales, we were as
18 they were overjoyed when UniSource took over. And
19 certainly, from everything that I've heard, the service
20 has improved vastly. However, with Kohlberg, Kavis, &
21 Roberts, there is no guarantee that this will continue.
22 I don't know whether the people in the audience are
23 aware, but a movie was made about this firm called
24 Barbarians at the Gate, and that would give one pause to
25 think about where this merger will lead.

1 What TEP is doing now is very good. I'm
2 very interested in animal rescue and wildlife, and they
3 have come out with three different raptors under their
4 raptor control program to fix lines that shorted out and
5 the birds were electrocuted. One was a wild turkey
6 which was a surprise to everyone around here, another a
7 horned owl, another a Harris hawk. They were very
8 prompt in coming out on that. I know their community
9 involvement has been good, and we hear all these kudos
10 to TEP today, but what guarantee is there that this is
11 going to continue under KK&R? None.

12 For five years, you will have a freeze on
13 rates. After that, it could be like a balloon on a
14 loan, and I really am concerned knowing the economic
15 status of this county how devastating that could be.
16 And I think really with the happiness that people show
17 in having UniSource here, why in the world would we want
18 to see it change? Why would anyone want to turn this
19 over to an unknown entity and see where it goes from
20 there? Things are great now.

21 I personally think that a utility is a
22 necessity. It's something that should not be
23 necessarily a money maker. What this is going to
24 satisfy will be the shareholders. Believe me, I'm all
25 for making money, but not at the expense of my fellow

1 citizens. We know what poor service Citizens gave, and
2 Citizens was another company just like KK&R. They were
3 in Connecticut. They had a bad reputation all over the
4 country wherever they handled the utilities, and thank
5 God they're out of here now. But I really feel that
6 this is going into a real quagmire, and I think that
7 there should be a very long, hard look at it. I feel
8 that not having the ACC control over this would be a
9 very, very bad thing for the residents of this county
10 and also for the other counties where TEP is located.

11 Thank you.

12 COM. HATCH-MILLER: Thank you, Ms. Kurtz.
13 You are a very dynamic couple here obviously. I'd love
14 to have you on my team. You speak very well.

15 Anyone else?

16 Well, it seems like a very short meeting,
17 but an hour has gone by. And I appreciate the dilemma
18 that you have put us in in terms of hearing elected
19 officials, respected, highly respected officials telling
20 us this is going to be good for their community and
21 hearing from others saying, "I am very concerned and I
22 don't want us to lose those very things we've gained by
23 UniSource coming in and taking over the electric
24 system." And so you can see the dilemma that we're in
25 as Commissioners of trying to move through that. And I

1 assure you, Ms. Kurtz and everyone, that we're very
2 serious about this. We'll take -- Mr. Pozefsky, will we
3 take a serious, deep look at this?

4 MR. POZEFSKY: I guarantee you.

5 COM. HATCH-MILLER: I guarantee you. And we
6 do not take this lightly in any way, shape or form. But
7 input like yours is very helpful for us to help guide us
8 towards what the real debate is all about, and I cannot
9 thank you enough for being here.

10 COM. MAYES: I would just echo his comments,
11 and please rest assured that every single Commissioner
12 is going to take a very close look at this and examine
13 every last granular aspect of this proposed deal because
14 I think it really is going to be incredibly important
15 for the future of our state and for economic development
16 in each of the areas that, of our state that are touched
17 by UniSource.

18 So again, thanks for allowing us to be here.
19 It's great to get out of Phoenix, and we take every
20 opportunity to get out of Phoenix. And please contact
21 us any time that you want to about any matter.

22 Thank you.


23 (The Special Open Meeting concluded at
24 6:01 p.m.)

25

1 STATE OF ARIZONA)
2) ss.
3 COUNTY OF MARICOPA)
4
5
6

7 I, DAWNA J. BOSWELL, Certified Court
8 Reporter No. 50326 for the State of Arizona, do hereby
9 certify that the foregoing printed pages constitute a
10 full, true and accurate transcript of the proceedings
11 had in the foregoing matter, all done to the best of
12 my skill and ability.

13
14 WITNESS my hand this 18th day of June, 2004.

15
16 
17 DAWNA J. BOSWELL
18 Certified Court Reporter
19 Certificate No. 50326
20
21
22
23
24
25

Attachments

ARIZONA CORPORATION COMMISSION

<<<UTILITIES DIVISION>>>

PUBLIC COMMENT MEETING

UNISOURCE ENERGY CORPORATION E-04230A-03-093
(Utility Name) (Docket Number)

NOGALES CITY HALL - COUNCIL CHAMBERS 6/16/04
(Location) (Date)

Please Print All Information Carefully

Name Address / City / Zip Code	Telephone Number
MANNY RUIZ, County Supervisor 2150 N CONGRESS Dr. Nogales, AZ 85621	520 375-2812
NINA TRASOFF 3440 Via Guadalupe Tucson 85716	520 349-0676
Fletcher Fowler 4040 N 6th Ave Tucson 85705	520 548-9650
Eli Turner 4357 N. Rio Cienega Rd. Tucson 85718	520 - 296 - 3069
Bob Damon County Supervisor	
MARSHALL MAGRUDEN PO Box 1267, Tubac AZ 85646	520-398- 8587
CECILIA BROWN P.O. Box 2606 Nog	520-287- 5066
Don Fozetky HICO	602-364 4840
Kay Collier United Way of Santa Cruz (NY)	520 761 1840
Ellen Kuer H 65 Box 7550 Amado	398-2985 h

[illegible]

PUBLIC COMMENT MEETING

UNISOURCE ENERGY CORPORATION E-04230A-03-093

(Docket Number)

NOGALES CITY HALL - COUNCIL CHAMBERS 6/16/04
(Location) (Date)

(Location)

(Date)

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(3)
PLEASE COMPLETE THIS FORM IF YOU WISH TO SPEAK

Arizona Corporation Commission
Information for Open Meeting

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Date 6-16-84 Agenda Item No. _____
Name Bob Damon
Title Santa Cruz County Supervisor
Representing (Group Affiliation) San Juan Co
Street Address 2458 N. Congress
City Mayra State AZ Zip 85621 Telephone No. 375-7812
Comments: Support Merger

♦ THREE MINUTE SPEAKING LIMIT ♦

1

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Date 6/16/04

Agenda Item No. _____

Name MANNY Ruiz

Title Supervisor Dist #

Representing (Group Affiliation) SANTA CRUZ County

Street Address 2150 N CONGRESS DRIVE

City Nozales State AZ Zip 85621 Telephone No. 520-3757813

Comments: _____

♦ THREE MINUTE SPEAKING LIMIT ♦

2

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Date 06.16.2004

Agenda Item No. _____

Name CECILIA BROWN

Title ~~Community Action~~ Superv.

Representing (Group Affiliation) Community Action Program

Street Address 490 Chenoweth

City Noog State Az Zip 85621 Telephone No. 520 287-5064

Comments: _____

◆ THREE MINUTE SPEAKING LIMIT ◆

[illegible]

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Date _____

Name BILL KURTIS

Title _____

Representing (Group Affiliation) _____

Street Address 1705 31st 7990

City Amado State AZ Zip 85645 Telephone No. 398-2885

Comments: Against Merge

◆ **THREE MINUTE SPEAKING LIMIT** ◆

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Information for Open Meeting

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Date 6/15/04

Agenda Item No. _____

Name Liz Collier

Title Ex Director

Representing (Group Affiliation) United Way Santa Cruz City

Street Address 855 W Bell Rd #100

City Nogales State AZ Zip 85621 Telephone No. 761-1840

Comments: _____

◆ THREE MINUTE SPEAKING LIMIT ◆

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Arizona Corporation Commission
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Date 10/15/04

Agenda Item No. _____

Name ELLEN KURTZ

Title COUNTY RESIDENT

Representing (Group Affiliation) _____

Street Address HC 165 Box 7990

City Amado State AZ Zip 85645 Telephone No. 520-398-2985

Comments: _____

♦ THREE MINUTE SPEAKING LIMIT ♦

wife of Mr. Kurtz